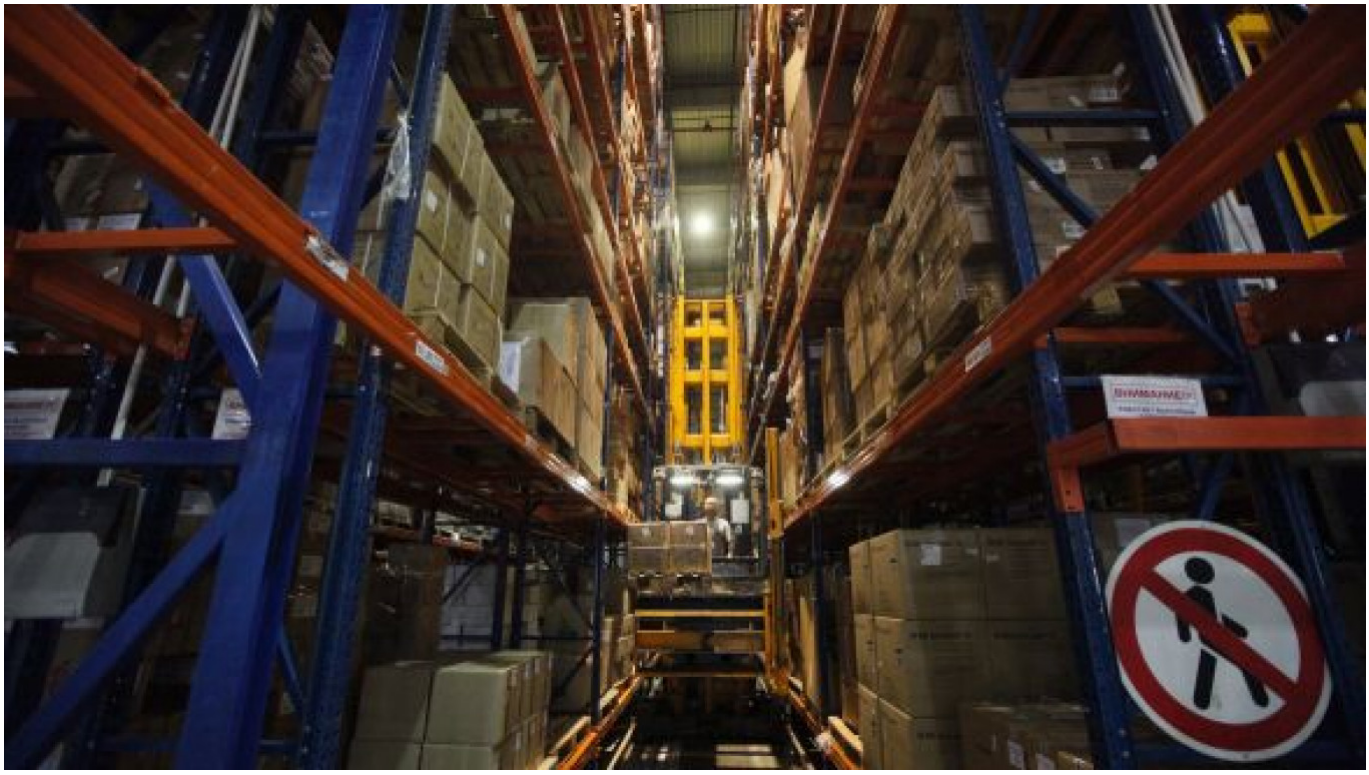
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# Warehouse Space Selling Out Before It's Built

By Rachel Nielsen

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In spite of the booming construction of warehouse complexes, demand exceeds supply. **Andrei Makhonin**

The demand for warehouse space in Moscow is breaking records as the increasing number of malls and chain stores ups the need for high-tech storage, shipping and product assembly.

By the end of this quarter, about 500,000 square meters of high-quality warehouse space will have been leased or sold in the Moscow region, the highest amount for any area of Russia. Most of that is newly built, Vyacheslav Kholopov, director of Knight Frank's industrial, warehouses and land department, said in an interview.

What's more, this year's take-up is on track to exceed the 2007 record, which was 1.2 million square meters, Knight Frank said. Today the Moscow region has 7 million square meters of class A and B warehouse space.

With the warehouse vacancy rate hovering at 2 percent since the end of last year, "we're selling and leasing space that hasn't even been built yet," said Lance Pilant, director of industrial and logistics agency services for CBRE. This is the first year that he has brokered sales and rentals of yet-to-be-completed warehouse space, he said by telephone.

Pilant estimated that more than than 800,000 square meters of logistics space could be opened in the next 12 months.

In another sign of demand, the 60,000-square-meter section of the Dmitryov Logistics Park that opened last week about 30 kilometers north of Moscow was fully leased before construction was finished, said Pilant, whose firm negotiated one of the rental deals.

Ghelamco Group plans to build a total of 228,000 square meters and four buildings at the Dmitryov site, which is a Class A logistics park, the Belgian developer said on its website.

So far this year, developers have built more than 520,000 square meters of warehouse space in Moscow and the Moscow region, or almost double the amount in the whole of last year, Knight Frank said.

Yet, in spite of the booming construction of warehouse complexes — also called logistical parks or industrial parks, as some sites are used for storing goods in transit while others are used for light manufacturing — demand exceeds supply.

PNK Group, a developer and owner of Class A logistics space, is building two other parks in the Moscow region, the PNK-Chekhov-2 site about 50 kilometers south of the Moscow Ring Road and PNK-Sever about 27 kilometers north of the highway, according to real estate advertisements.

Leading warehouse companies also are buying facilities. This summer, logistics park investment company Raven Russia paid $50 million for the Sholokhovo Logistics Park, $215 million for the company owning the Pushkino LogoPark, and $23 million for about 40 hectares of zoned land where it plans to build, Raven says on its website.

All of those sites are north of the capital, which is no surprise: A lot of cargo enters the country in St. Petersburg and comes to Moscow through its upper suburbs.

Kholopov said there are about five major warehouses under construction in Moscow's northern suburbs, including the Ghelamco and PNK sites.

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